Bitter Pills

Why seniors flee drug price controls

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The Senate is scheduled to vote today on legislation to allow the government to negotiate drug prices under the 2003 Medicare prescription drug bill. Democrats and such liberal interest groups as AARP claim this would save money for seniors and taxpayers, but the more likely result is that seniors would find that fewer of their therapies are covered.

We opposed the prescription drug bill as a vast new entitlement, but there's no denying the program's innovation of using private-sector competition has worked far better than critics predicted. In the first year alone, the cost of Medicare Part D came in 30% below projections. The Congressional Budget Office calculates the 10-year cost of Medicare Part D will be a whopping $265 billion below original estimates.

Seniors are also saving money under this private competition model. Premiums for the drug benefit were expected to average $37 a month. Instead, premiums this year are averaging $22 a month -- a more than 40% saving. Democrats don't like to be reminded that many of them wanted to lock in premiums at $35 a month back in 2003. No wonder recent polls find that about 80% of seniors say they're satisfied with their new Medicare drug benefits.

Democrats who opposed all of this private competition now say that government-negotiated prices will do even better. They must have missed the new study by the Lewin Group, the health policy consulting firm, which found that federal insurance programs that impose price controls typically hold down costs by refusing to cover some of the most routinely prescribed medicines for seniors. These include treatments for high cholesterol, arthritis, heartburn and glaucoma.

Supporters of federal price "negotiations" -- really, an imposed price -- also like to point to the example of the Veterans Health Administration, which negotiates prices directly with drug companies. But it turns out that the vaunted VHA drug program has a few holes of its own. The Lewin study examined the availability of the 300 drugs most commonly prescribed for seniors. It found that one in three -- including such popular medicines as Lipitor, Crestor, Nexium and Celebrex -- are not covered under VHA. However, 94% are covered under the private competition model of Medicare Part D. Fewer than one of five new drugs approved by the FDA since 2000 are available under VHA.

Here's the real kicker: Statistics released March 22 by the VHA and Department of Health and Human Services show that 1.16 million seniors who are already enrolled in the VHA drug program have nonetheless signed up for Medicare Part D. That's about one-third of the entire VHA case load. Why? Because these seniors have figured out that Medicare Part D offers more convenience, often lower prices, and better insurance coverage for their prescription drugs. In short, seniors are voting with their feet against the very price control system that Democratic leaders Harry Reid and Nancy Pelosi want to push them into.

Of course, the greatest threat from drug price controls is not to our wallets, but to public health. Price controls reduce the incentive for biotech and pharmaceutical companies to invest the $500 million to $1 billion that is often now required to bring a new drug to market. If government price controls erode the profits these companies can earn to produce these often life-saving medications, the pace of new drug development will almost certainly delay treatments for AIDS, cancer, heart disease and the like. Congress is proposing dangerous medicine, and if it becomes law seniors may be the first victims.